

## 0850 California State Lottery Commission

In 1984, Proposition 37 amended the California Constitution to authorize the establishment of a statewide lottery. As an initiative statute, the California State Lottery Act (Act) of 1984 created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The purpose of the Act was to provide supplemental monies to benefit public education without the imposition of additional or increased taxes. The Lottery is overseen by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act initially required that 50 percent of total annual revenues be returned to the public in the form of prizes and at least 34 percent of total revenues be allocated to the benefit of public education. No more than 16 percent of total revenues were to be used for administrative costs.

In 2010, the Act was changed to allow the Lottery flexibility to pay out more money in prizes and reduce the administrative cost limit to 13 percent of total revenues. Along with that flexibility, the new law requires the Lottery to meet minimum levels of contribution to public education. Revenues to education are placed in a special fund, known as the California State Lottery Education Fund, which holds revenues until they are allocated on a per capita basis, using prior year certified Average Daily Attendance data, to the following categories: K-12 education, Community Colleges, the California State University, the University of California, and other educational entities.

In the 27 years since sales began in October 1985 through June 30, 2012, the California State Lottery has raised more than \$25 billion for public education, including over \$1.3 billion in FY 2011-12.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2012-13 and 2013-14 cannot be made with certainty.

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### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

Government Code, Title 2, Division 1, Chapter 12.5 (Sections 8880-8880.72).

**0850 California State Lottery Commission - Continued****Statement of Operations**

	<b>2011-12*</b>	<b>2012-13*</b>	<b>2013-14*</b>
Lottery sales	\$4,371,491	\$4,870,000	\$4,870,000
Less prizes	<u>2,560,307</u>	<u>2,961,687</u>	<u>2,961,687</u>
Sales after prizes	1,811,184	1,908,313	1,908,313
Less Game Costs:			
Retailer costs	295,830	335,429	335,429
Draw game costs	48,259	61,334	61,334
Instant ticket game costs	<u>25,774</u>	<u>33,850</u>	<u>33,850</u>
Total, Game Costs	\$369,863	\$430,613	\$430,613
Resources before operating expenses	\$1,441,322	\$1,477,700	\$1,477,700
Operating Expenses:			
Salaries, wages and benefits	62,938	61,815	61,815
Advertising	47,833	57,594	57,594
Promotion, public relations and point-of-sale	6,265	12,560	12,560
Other professional services	13,400	17,190	17,190
Depreciation and amortization	7,750	6,772	6,772
Other general and administrative expenses	<u>4,886</u>	<u>46,556</u>	<u>46,556</u>
Total, Operating Expenses	\$143,072	\$202,487	\$202,487
Income and Proceeds to Education	1,298,250	1,275,213	1,275,213
Interest Income	<u>1,991</u>	<u>1,500</u>	<u>1,500</u>
Net Resources	\$1,300,241	\$1,276,713	\$1,276,713
Unclaimed Prizes	20,486	21,000	21,000
Administrative Reserve	<u>0</u>	<u>27,951</u>	<u>27,951</u>
<b>TOTAL RESOURCES DUE TO EDUCATION FUND</b>	<b>\$1,320,726</b>	<b>\$1,325,664</b>	<b>\$1,325,664</b>

\* Dollars in thousands, except in Salary Range.

**0850 California State Lottery Commission - Continued****Distribution of State Lottery Education Fund Revenues**

	<b>2011-12*</b>	<b>2012-13*</b>	<b>2013-14*</b>
Department of Education (K-12)	\$1,051,094	\$1,046,050	\$1,046,050
California Community Colleges	197,421	185,618	185,618
California State University/California Maritime Academy	41,570	55,795	55,795
University of California	29,850	37,194	37,194
Hastings College of Law	156	203	203
California Department of Corrections and Rehabilitation			
- Division of Juvenile Justice	77	110	110
Department of Education - State Special Schools	111	139	139
Department of Development Services	447	465	465
Department of State Hospitals	-	90	90
<b>TOTALS</b>	<b>\$1,320,726</b>	<b>\$1,325,664</b>	<b>\$1,325,664</b>

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## 0850 California State Lottery Commission - Continued

### DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2011-12*	2012-13*	2013-14*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$408,000)	(\$531,700)	(\$633,100)
Revised estimated expenditures	<u>(104,936)</u>	<u>(101,400)</u>	<u>-</u>
<b>TOTALS, EXPENDITURES</b>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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\* Dollars in thousands, except in Salary Range.